

Message Text

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ACTION NEA-10

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INFO AMEMBASSY ABU DHABI

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E.O. 11652: N/A

TAGS: ELAB, BGEN, EGEN, ENRG, ABUD, AFSP

SUBJECT: AT ARAMCO, SALARIES OF SAUDI EMPLOYEES CLIMB FASTER
THAN CRUDE PRODUCTION

1. SUMMARY: SAUDI EMPLOYEES OF ARAMCO, IN THE FIRST HALF OF 1977, ARE TO RECEIVE SALARY INCREASES RANGING FROM 21 TO 50 PERCENT. ARAMCO DIRVERS, FOR EXAMPLE, WILL BE EARNING AROUND \$8,500 A YEAR, ENGINEERS AROUND \$26,000 ANNUALLY AND NO INCOME TAXES TO PAY. NON-SAUDI EMPLOYEES OF ARAMCO WILL NOT RECEIVE PAY INCREASES IN THIS LATEST ROUND OF SALARY HIKE WHICH WERE GENERATED TO PROVIDE SAUDIS WITH SALARY INCREASES SCALED TO LIMITED OFFICIAL USE

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MATCH THOSE RECENTLY GIVEN TO SAG CIVIL SERVANTS. THE SIGNIFICANCE OF ARAMCO SALARY HIKE REST ON THE FACT THAT ARAMCO SETS THE WAGE STANDARDS IN THE CONSULAR DISTRICT AND OTHER EMPLOYERS OF SAUDIS HERE WILL BE EXPECTED TO FOLLOW WITH COMPARABLE WAGE HIKE FOR THEIR SAUDI EMPLOYEES. END SUMMARY

2. ARAMCO'S 15,000 PLUS SAUDI EMPLOYEES WILL RECEIVE, ON JULY

FIRST, A 10-25 PERCENT INCREASE IN THEIR SALARIES. ARAMCO CALCULATES THAT THE SALARY INCREASES WILL COST THE COMPANY US \$48 MILLION A YEAR. THIS LATEST INCREASES FOLLOW ON A 10-20 PERCENT INCREASE THAT WAS AWARDED IN JANUARY. THOSE IN THE LOWEST PAY GRADES WILL RECEIVE THE LARGEST INCREASES WHILE EMPLOYEES HOLDING MANAGERIAL GRADES WILL RECEIVE A TEN PERCENT INCREASE IN THEIR SALARIES. COMBINING BOTH INCREASES, THESE PAY AWARDS REPRESENT A 50 PERCENT INCREASE TO THOSE EMPLOYEES HOLDING THE LOWEST PAYING JOBS AND A 21 PERCENT INCREASE AT THE TOP OF ARAMCO'S PAY SCALE. FOLLOWING TABLE PROVIDES A USEFUL PARTIAL PICTURE OF ANNUAL SALARIES BEING PAID TO SAUDIS BY SPECIFIC JOB TITLE:

DRIVER - US \$7,148-10,371
CARPENTER OR CLERK TYPIST - US \$8,348-12,188
WELDER OR MECHANIC - US \$9,806-14,331
ENGINEER (WITH 5 YRS EXPERIENCE) - US \$20,828-31,525

ON TOP OF THESE HANDSOME SALARIES IS THE HUGE PACKAGE OF FRINGE BENEFITS EACH ARAMCO EMPLOYEE ENJOYS. BEST OF ALL, NO SAUDI ARAB PAYS INCOME TAXES.

3. THE SALARY SCALES QUOTED ABOVE APPLY ONLY TO ARAMCO EMPLOYEES HOLDING SAUDI CITIZENSHIP. UNTIL THIS YEAR ARAMCO HAD THREE PAY-ROLLS -- ONE FOR ARABS AND EMPLOYEES FROM NEIGHBORING COUNTRIES, ONE FOR EASTERN EUROPEANS AND ANOTHER FOR NORTH AMERICANS. WHEN LIMITED OFFICIAL USE

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THE 10-20 PERCENT AWARD WAS MADE IN JANUARY (SEE PARA 1), ARAB PAYROLL WAS DIVIDED INTO THREE SEPARATE PAYROLLS -- ONE FOR SAUDI ARABS, ONE FOR ALL OTHER ARABS AND ONE FOR EMPLOYEES FROM PAKISTAN AND INDIA. AT THAT TIME, EMPLOYEES FROM NEIGHBORING ARAB COUNTRIES RECEIVED A MODEST INCREASE AND SUBCONTINENTALS NO INCREASE. PAKISTANI AND INDIAN EMPLOYEES THREATENED TO QUIT IN DROVES BUT, WHEN RECALLING SALARIES PAID AT HOME, NONE DID. HOW THAT GROUP OF EMPLOYEES AND NON-SAUDI ARABS WILL TAKE THIS MOST RECENT PAYROLL INCREASE HAS YET TO BE DISCERNED. NOTHING IS CLEAR, NO ONE AROUND ARAMCO GETS PAID LIKE A SAUDI ARABIAN.

4. COMMENT: ARAMCO CHAIRMAN JUNGERS EXPLAINED TO US THAT ARAMCO DID NOT HAVE "ANY CHOICE" BUT TO GRANT SALARY INCREASES IN THE FACE OF SAG'S DECISION TO INCREASE CIVIL SERVANT SALARIES BY 50 PERCENT. OTHER THAN THE POPULAR POLITICS OF SUCH A DECISION, IT IS DIFFICULT TO FIND OTHER GROUNDS TO WARRANT A PAY AWARD OF SUCH A MAGNITUDE. ONE SAUDI MANAGER IN ARAMCO'S PERSONNEL PLANNING DEPARTMENT ADMITS THAT ALTHOUGH THE OIL COMPANY'S LABOR TURN-OVER RANGES 10-12 PERCENT ANNUALLY, IT'S A MINOR PROBLEM AMONG ITS OLDER AND MORE MATURE EMPLOYEES. TYPICALLY HALF OF THE YOUNGER EMPLOYEES -- MOSTLY TRAINEES -- QUITE AFTER RECEIVING TRAINING UNDER ONE OF TWO YEARS OF EMPLOYMENT WITH ARAMCO. HE TAKES THE VIEW THAT IF

ARAMCO IS HELPING PUT TRAINED MANPOWER INTO SAUDI ARABIA'S LABOR POOL -- SO BE IT (THE SAME MANAGER ALSO POINTS OUT THAT SABIC IS NEGOTIATING WITH ARAMCO TO TRAIN 1,000 SAUDIS A YEAR FOR JOBS IN ITS YENBO AND JUBAIL PETROCHEMICAL PROJECTS -- AN EVENT WHICH WILL MAKE THE WORLD'S LARGEST PETROLEUM COMPANY A BIG-LEAGUE TRAINER OF CRAFTSMAN). JUNGERS ADMITS THAT THE WAY TO HOLD EMPLOYEES IS NOT WITH SALARY INCREASES BUT WITH HOUSING AND THE OIL COMPANY IS EMBARKING ON WHAT HE DESCRIBES AS BEING A VERY LARGE EMPLOYEE HOUSING PROGRAM.

5. THE SIGNIFICANCE OF ARAMCO'S WAGE HIKES IS THAT ARAMCO'S SALARY SCALES SET THE PACE IN THE EASTERN PROVINCE. CONSEQUENTLY, COMPANIES OPERATING HERE CAN EXPECT TO SEE A SHARP RISE IN THEIR WAGE COSTS
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-- IF THEY EMPLOY A GOODNUMBER OF SAUDIS. AS ONE ARAMCO CONTRACTOR TOLD JUNGERS THIS WEEK, " YOUR WAGE INCREASES WON'T COST OUR COMPANY MUCH....ONLY FIVE PERCENT OF OUR WORK FORCE IS SAUDI."
LUCIUS

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